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C O N F I D E N T I A L SECTION 01 OF 08 OECD PARIS 05027

C O R R E C T E D C O P Y (GARBLED TEXT)

THIS IS A CORRECTED COPY. ADDEES OMITTED.

E.O. 11652: GDS

TAGS: EGEN, CIEC, ENRG, EFIN, ETRD, EAID, OECD

SUBJECT: CIEC: CONTINUATION OF COMMISSION MEETINGS

1. SUMMARY. TUESDAY AND WEDNESDAY MEETINGS WERE DEVO-
TED IN DIFFERING DEGREES TO ELABORATING WORK PROGRAMS
AND DISCUSSING OVERALL ISSUES IN GENERAL TERMS. WORK
IN ENERGY COMMISSION, DONE OUTSIDE PLENARY,
INVOLVED EXCHANGES OF DRAFTS BETWEEN G-8 AND G-19 ON
WORK PROGRAM AND METHODOLOGY FOR DISCUSSION. LIKELY
OUTCOME WILL BE PAPER STRUCTURING NEXT SESSION'S DIS-
CUSSION OF GENERAL ANALYSIS, WITH STRUCTURING OF OTHER
ELEMENTS OF DISCUSSION IN EFFECT POSTPONED. FINANCE
COMMISSION HAS DISCUSSED GENERAL ISSUES IN PLENARY. ON
TUESDAY, LDGS UNEMOTIONALLY CRITICIZED US PAPER ON LDC
BALANCE OF PAYMENTS FINANCING PROBLEMS. ON
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WEDNESDAY, SAUDIS AND IRANIANS LAUNCHED STRONG ATTACK
ON DC LINKAGE OF OIL COST INCREASES WITH WORLD MACRO--ECO-
NOMIC PROBLEMS. OTHER LDGS GAVE SET SPEECHES EMPHASI-
ZING PARTICULAR PROBLEMS THEY WANTED TO HIGHLIGHT.
IRAQ CONCENTRATED ON OFFICIAL DEVELOPMENT ASSISTANCE;
PAKISTAN AND EGYPT FOCUSSED ON EXTERNAL DEBT; BRAZIL
(IN OFTEN HELPFUL INTERVENTION) DISCUSSED ACCESS TO
CAPITAL MARKETS. OUTSIDE PLENARY, FINANCE COMMISSION

HAS BEEN DISCUSSING WORK PROGRAM FOR MARCH AND APRIL SESSIONS. RAW MATERIALS COMMISSION CONCLUDED DISCUSSION OF GENERAL TRENDS AND CONDITIONS ON WEDNESDAY WITH BRIEF STATEMENT BY AUSTRALIANS (WHICH TOOK SLAP AT EC ON AGRICULTURE) AND BY US WHICH MADE DETAILED STATEMENT ON FOOD. COMMISSION NOW FACES PROBLEM OF HOW TO STRUCTURE DISCUSSION ON WORK PROGRAM ITEM ON PROBLEMS OF COMMODITY MARKETS AND TRADE EXPANSION. G-19 PRODUCED GENERAL PAPER WHICH WAS SAID TO BE WORK-PROGRAM, BUT SEEMED INSTEAD TO BE MINIATURE INTEGRATED PROGRAM ON COMMODITIES. DEVELOPMENT COMMISSION DISCUSSED TRADE ISSUES ON TUESDAY AND WEDNESDAY. IN GENERAL DCS TENDED TO DISTINGUISH TEMPORARY PROBLEM OF RECESSION FROM MORE SPECIFIC PROBLEMS OF IMPROVING MARKET ACCESS WHILE LDCS TENDED TO REJECT CONJUNCTURAL ANALYSIS AND TO CONCENTRATE ON SPECIFIC TRADE PROBLEMS THEY HAVE ENCOUNTERED AND TO URGE SWEEPING CHANGES IN SYSTEM TO THEIR ADVANTAGE. US MADE DETAILED PRESENTATION EMPHASIZING IMPORTANCE OF IMPROVEMENT IN MARKET ACCESS THROUGH MTN AS WELL AS PREFERENTIAL TREATMENT THROUGH GSP. EC GAVE LENGTHY STATEMENT EMPHASIZING IMPORTANCE OF MTN, BEFORE

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BECOMING EMBROILED IN DEBATES RE MEAT WITH ARGENTINA
AND RE TEXTILES WITH PAKISTAN. TRADE DISCUSSION CON-
CLUDED THURSDAY MORNING WITH CHAIRMAN'S ORAL SUMMARY.
BALANCE OF PAYMENTS DISCUSSION WILL BE CONTINUED ON
FRIDAY. OVERALL, CLIMATE OF MEETING CONTINUES TO BE
CONSTRUCTIVE. END SUMMARY.

ENERGY COMMISSION

2. NO PLENARY MEETING OF ENERGY COMMISSION WAS HELD ON TUESDAY OR WEDNESDAY AS GROUP MOVED INTO INTENSIVE CAUCUSSING STAGE REMINISCENT OF PATTERN AT PREPCONS I AND II. AS AGREED AT MONDAY MEETING, US CO-CHAIRMAN (BOSWORTH), AFTER PREVIOUS COORDINATION WITH G-5 AND G-8, SUBMITTED TO G-19 CO-CHAIRMAN (TAHER) ON TUESDAY A DC DRAFT OF A COMPOSITE GENERAL FRAMEWORK PAPER. OUR INTENTION WAS TO INCORPORATE BOTH SIDES' IDEAS ON A METHODOLOGY OF APPROACH TO THE FOUR SUBJECT HEADINGS. TAHER AFTER CONSULTATION WITH G-19, REJECTED THIS AND COUNTERED WITH A BRIEF, "#

HEADINGS AND ASSIGNED TO ANNEXES BOTH

AN

LDC PAPER CONTAINING RELEVANT POINTS FROM THE JANUARY 26 G-19 LIST OF TOPICS AS WELL AS THE METHODOLOGY PAPERS
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TABLED BY THE INDUSTRIALIZED COUNTRIES. THIS, IN EFFECT, WOULD HAVE PAIRED THE G-19 NEGOTIATING LIST OF TOPICS AGAINST THE MUCH MORE NEUTRAL DC METHODOLOGY PAPERS, AND WAS REJECTED OUTRIGHT BY G-5 CAUCUS.

3. TWO CO-CHAIRMEN THEN REWORKED DC COMPOSITE DRAFT SLIGHTLY FOR SECOND SUBMISSION TO G-19. TAHER AGAIN WAS UNABLE TO SELL THIS, HOWEVER, NOT BECAUSE OF ANY REAL PROBLEMS WITH GENERAL ANALYSIS OR COOPERATION SECTIONS (WHICH G-19 APPEAR PREPARED TO ACCEPT) BUT APPARENTLY BECAUSE OF CONTINUOUS G-19 UNREADINESS TO ACCEPT AT THIS POINT ANY METHODOLOGICAL FORMULATION ON PRICE WHICH WOULD GIVE DC'S A CLEAR OPPORTUNITY TO PRESENT CASE ON MACRO-ECONOMIC IMPACT OF HIGH ENERGY PRICES. TAHER INDICATED G-19 AWARE OF STRENGTH OF DC VIEWS ON THIS ISSUE AND IS NOT DENYING THAT THIS AND ANY OTHER SUBJECT EVENTUALLY MIGHT BE DISCUSSED IN ACCORDANCE WITH GENERAL CONFERENCE GUIDELINES, BUT G-19 NOT PREPARED NOW TO AGREE TO SPECIFIC LANGUAGE ON THIS POINT.

4. ON WEDNESDAY, DRAFTS WERE AGAIN TRADED. G-19 FIRST CIRCULATED PAPER WHICH G-8 FOUND OBJECTIONABLE BECAUSE IT CONTINUED TO PAIR G-19 LIST OF TOPICS AGAINST MORE NEUTRAL DC METHODOLOGY PAPERS, BECAUSE ITS FORMULATION OF PRICE HEADING HAD SLANT TOWARD INDEXATION ("PRICES AND PURCHASING POWER"), AND BECAUSE IT SOUGHT TO INTRODUCE CONCLUSION (A CALL FOR CONSERVATION OF DEPLETABLE RESOURCES AND RESERVATION OF OIL AND GAS FOR ESSENTIAL TRANSPORTATION NEEDS) UNDER GENERAL ANALYSIS HEADING.

5. WITH STRONG SUPPORT FROM EC, SWISS AND JAPANESE,
US CO-CHAIRMAN GAVE G-19 A REDRAFT OF G-19 PAPER,
REPLACING (AMONG OTHER CHANGES) "PURCHASING POWER" WITH
"THE PRICE OF ENERGY AND RELATED TOPICS" AND ATTACHING
SERIES OF ANNEXES, INCLUDING G-19 ANALYTICAL FRAMEWORK
(I.E. THEIR LIST OF TOPICS), DC COMPOSITE METHODOLOGY
PAPER ON PRICE, SUPPLY AND COOPERATION, AND A DC LIST
OF TOPICS IT WISHES SEE DISCUSSED UNDER THESE THREE
HEADINGS. G-5 MEMBERS STRONGLY BELIEVED THIS LATTER
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LIST NECESSARY SINCE G-19 APPARENTLY (DESPITE DC PRO-
TESTATION TO CONTRARY) VIEWS ANY AND ALL METHODO-
LOGY PAPERS TABLED BY DC'S AS INDUSTRIALIZED COUNTRIES'
NEGOTIATING LIST OF TOPICS TO BE CONTRASTED WITH
JANUARY 26 G-19 LIST.

NOTE BY OC/T: OECD PARIS 5027 SECTION 2 OF 8 TEXT GARBLED.
CORRECTION TO FOLLOW.

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FINANCE COMMISSION

6. AT FEBRUARY 17 FC SESSION, MEXICO LED MUTED G-L9 CRITICISM OF U.S. PAPER ON FINANCING OF LDC CURRENT ACCOUNT DEFICITS, AND STATED THAT LOW LDC 1976 GROWTH RATES ASSUMED BY U.S. CONSTITUTED "CONSOLIDATION OF IMBALANCES." THEY ADDED THAT PRIVATE CAPITAL FLOWS WERE NEITHER RELIABLE NOR APPROPRIATE FORMS OF FINANCING, AND THAT ONLY WAY TO ATTAIN GOAL OF EQUITABLE AND SUSTAINABLE LDC GROWTH WAS TO INCREASE FLOW OF CONCESSIONAL, MULTILATERAL ASSISTANCE. IRAN COMMENTED THAT U.S. PAPERS SUGGESTED OVERLY STRONG OPEC CURRENT ACCOUNT POSITION, AND JOINED MEXICO AND SAUDI ARABIA IN CALLING FOR SHIFT IN FC DISCUSSION FROM SHORT-TERM ADJUSTMENT TO SPECIFIC MEDIUM TERM STRUCTURAL PROBLEMS. CONFIDENTIAL

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U.S. SAID THAT OUR PAPER SOLELY ADDRESSED FINANCING ISSUE FOR 76. WE HAD NOT ADDRESSED AND THEREFORE CERTAINLY DID NOT MEAN TO MINIMIZE MEDIUM-TERM PROBLEMS FACED BY LDC'S, AND THAT SUBSEQUENT DISCUSSION HAD IDENTIFIED MANY SPECIFIC PROBLEMS FOR CONSIDERATION BY COMMISSION AFTER CONCLUSION OF GENERAL ECONOMIC SURVEY IN MARCH. SWISS GAVE GENERAL CONCEPTUAL VIEW OF WORLD ECONOMIC SITUATION, STRESSING PROBLEMS OF GLOBAL BALANCE-OF-PAYMENTS DISEQUILIBRIUM AND DESTABILIZING EFFECTS OF EXCHANGE RATE FLUCTUATIONS AND IMPORTANCE TRADE CAN PLAY IN RESTORING EQUILIBRIUM. SWISS PROPOSED THAT FC STUDY (BY COUNTRIES OR GROUPS OF COUNTRIES) SPECIFIC ISSUES SUCH AS LDC ACCESS TO CAPITAL MARKETS AND IMPROVEMENT OF THE CONDITIONS FOR INVESTMENT IN LDC'S.

7. IN PRESENTING ITS VIEWS OF 1975 AND PROJECTION FOR 1976, EC POINTED TO INCREASED OIL PRICES AS FACTOR INTENSIFYING INFLATION AND EXACERBATING RECESSION DURING 1974-5. EC STATED THAT POTENTIAL OUTPUT GROWTH OF MEMBER COUNTRIES WILL BE LOWER THAN PRE-RECESSION RATES DURING PERIOD OF ADJUSTMENT TO HIGHER OIL PRICES. EC ALSO NOTED THAT INCREASED OIL PRICES HAD INTRODUCED PERMANENT AND STRUCTURAL COMPONENT INTO LDC DEFICITS. IN SUM, EC REPORT WAS VERY SUPPORTIVE OF U.S. VIEWS AND FC OBJECTIVES.

8. UNCTAD PRESENTED PAPERS ON LONG-TERM CAPITAL REQUIREMENTS OF LDC'S AND ON NEAR-TERM WORLD ECONOMIC OUTLOOK. CONCLUSION OF LONG-TERM ANALYSIS WAS THAT VERY SUBSTANTIAL INCREASE IN FLOWS OF CONCESSIONAL ASSISTANCE

WAS REQUIRED FOR LDC'S TO ACHIEVE 4.8 PERCENT GROWTH WHICH IS SUBSTANTIALLY BELOW 6 PERCENT GROWTH TARGET OF SECOND DEVELOPMENT DECADE. UNCTAD SEES SHARP RISE IN LDC DEBT SERVICE AS RESULTING FROM THEIR HEAVY RECOURSE TO PRIVATE CAPITAL MARKETS IN 1975, AND CONTRASTED THIS SITUATION TO 1974 WHEN CONCESSIONAL OPEC FLOWS ACCOUNTED FOR MOST OF INCREMENTAL ASSISTANCE TO LDC'S.

9. AT FEBRUARY 18 FC JAPANESE LED OFF WITH STATEMENT ON RECENT ECONOMIC TRENDS AND NEAR-TERM PROSPECTS WHICH
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GENERALLY TOOK VIEW VERY SIMILAR TO THAT EXPRESSED BY U.S. JAPANESE ATTRIBUTED DEPTH OF RECENT RECESSION TO PRIOR SYNCHRONIZED EXPANSION AND INFLATION IN INDUSTRIAL COUNTRIES AND TO OIL PRICE INCREASE. IN STRESSING THAT RECESSION HAD FAR-REACHING ECONOMIC EFFECT ON DCS THEY COUNTERED SAUDI STATEMENT THAT EFFECT ON DC'S WELFARE

OF DECLINE IN THEIR GROWTH RATES WAS MINIMAL. JAPAN STATED FURTHER THAT EXPECTED RECOVERY IN 1976 WOULD DIRECTLY BENEFIT LDCS, BUT ADDED THAT ACCESS TO RAW MATERIALS, DANGER OF ACCELERATED INFLATION, AND CURRENT ACCOUNT DETERIORATION WERE IMPORTANT FACTORS LIMITING SPEED OF RECOVERY AND THAT BURDEN OF BORROWING WAS SIGNIFICANT FOR DCS AS WELL AS LDCS. JAPAN ARGUED THAT HIGHER OIL PRICES HAD CAUSED STRUCTURAL DISEQUILIBRIUM IN BALANCE OF PAYMENTS OF DCS AND LDCS AND POINTED TO HIGHER OIL PRICE AS FACTOR IN SUBSTANTIAL DOWNWARD ADJUSTMENT OF JAPAN'S POTENTIAL GROWTH RATE.

10. IN STATEMENT THAT TOOK ISSUE WITH JAPANESE AND EC PRESENTATIONS, IRAN (YEGANEH) MINIMIZED ROLE OF OIL PRICES IN CAUSING 1974/75 RECESSION AND INFLATION AND INSTEAD BLAMED OVER-EXPANSION IN DCS, EXCESSIVE DOMESTIC AND INTERNATIONAL LIQUIDITY CREATED BY DCS AND CONSEQUENT COLLAPSE OF INTERNATIONAL MONETARY SYSTEM. IRAN FELT MONETARY AND FINANCIAL ISSUES SUCH AS EXCESSIVE LIQUIDITY CREATION SHOULD BE EXAMINED, BUT NOTED THAT

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FC SHOULD AVOID SUBJECTS THAT FALL WITHIN IMF JURISDICTION. YEGANEH STATED THAT RAPID DC GROWTH RATES IN THE PAST WERE FUELED BY CHEAP ENERGY AND SUPPORTED BY DECLIN-
ING TERMS OF TRADE OF RAW MATERIAL EXPORTERS. QUOTING FIGURES FROM VARIOUS SOURCES, IRAN ARGUED THAT DIRECT IMPACT OF HIGHER OIL PRICES ON DCS HAD BEEN MINIMAL. HE NOTED THAT IN US' THE MAJOR DC OIL PRODUCER, DOMESTIC OIL PRICES HAD ONLY DOUBLED AND INDEED INCREASED ONLY 40 PERCENT IN REAL TERMS FROM 1973 TO PRESENT. THEREFORE HE QUESTIONED REFERENCES TO QUADRUPLING OIL PRICES. HE ARGUED THAT OPEC WAS DOING WORLD A FAVOR BY CONSERVING OIL, AND THAT INCREASED PRICES OF MANUFACTURES MADE MAJOR CONTRIBUTION TO LDC DEFICITS AND HAD BROUGHT ABOUT 30 DECLINE IN OPEC PURCHASING POWER IN LAST TWO YEARS. IRAN REITERATED VIEW THAT IMF AND IBRD PROJECTIONS OVER-
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ESTIMATED OPEC SURPLUS. SAUDIS SUPPORTED IRANIAN STATEMENT STRESSING PAST CAUSES OF PRESENT AND FUTURE PROBLEMS HE RE-EMPHASIZED SPECIAL NATURE OF OPEC SURPLUS WHICH THEY REGARD AS A PROBLEM. SAUDIS CONCLUDED WITH THREAT THAT IF THE PROBLEM OF THEIR SURPLUS IS NOT SOLVED, THEY

WILL APPLY THE SIMPLE SOLUTION OF ENDING THE SURPLUS BY KEEPING THEIR OIL IN GROUND.

11. US NOTED THAT DISCUSSION HAD IDENTIFIED SOME KEY ISSUES

FOR LATER DISCUSSION AND THAT THESE MIGHT INCLUDE FINANCIAL CONSEQUENCES OF HIGH ENERGY PRICES, OPEC SURPLUSES (US ASKED IRAN FOR ITS ESTIMATES AND METHODOLOGY) AND OPEC TERMS OF TRADE.

12. IRAQ DELIVERED STATEMENT ON OFFICIAL DEVELOPMENT ASSISTANCE EMPHASIZING INADEQUACY (AND DECLINING TREND) OF FLOWS FROM DAC COUNTRIES RELATIVE TO NEEDS OF LDCS AND TO GROWTH AND AID TARGETS ESTABLISHED BY UN FOR SECOND DEVELOPMENT DECADE. IRAQ BERATED DAC FOR OVER-EMPHASIS (RELATIVE TO THEIR PER CAPITA INCOME) ON POLITICAL RECIPIENTS AND CONTRASTED OVERALL DAC PERFORMANCE WITH DRAMATIC INCREASES IN FLOWS FROM OPEC. IN SHORT, IRAQ TRIED TO SHOW OPEC ASSISTANCE WAS "BETTER" THAN DAC ASSISTANCE IN TERMS OF PERCENT OF GNP, DISTRIBUTION AND GRANT ELEMENT.

13. PAKISTAN AND EGYPT GAVE PRESENTATIONS ON LDC MEDIUM TERM DEBT PROBLEMS. PAKISTAN POINTED TO THREE-FOLD INCREASE IN LDC DEBT SERVICE BETWEEN 1968 AND 1975 AND TO EXACERBATION OF PROBLEM (ESPECIALLY FOR MSA'S) BECAUSE OF FAILURE OF ODA TO RISE TO UN TARGETS, BECAUSE OF INADEQUACY OF LDC EXPORT EARNINGS AND BECAUSE OF DETERIORATION OF LDC TERMS OF TRADE. EGYPT SAID THAT PAKISTAN WAS FOCUSSED TOO NARROWLY ON MSA DEBT PROBLEMS AND TOOK POSITION THAT SHORT TERM BORROWING FROM PRIVATE CAPITAL MARKETS WAS NOT A DESIRABLE POLICY FOR LDC'S. EGYPT STRESSED SHORT TERM BORROWING WAS NOT CONSISTENT WITH DEVELOPMENT WHICH WAS A LONG TERM PROCESS, AND THAT ONE SHOULD NOT FINANCE LONG TERM GROWTH WITH SHORT TERM BORROWING. EGYPT CALLED FOR RESCHEDULING OF SHORT TERM

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PRIVATE DEBTS OF LDCS ALONG LINES OF MANILA PROPOSALS. SWEDES ALSO MENTIONED DESIRABILITY OF TAKING MEASURES (UNSPECIFIED) TO EASE LDC DEBT BURDEN.

14. BRAZIL UNDERLINED ROLE OF PRIVATE CAPITAL IN PROMOTING DEVELOPMENT AND SPECIFICALLY RECOMMENDED THAT FC

EXAMINE IN MORE DETAIL THE US PROPOSED INTERNATIONAL INVESTMENT TRUST. THEY MADE GENERAL PITCH FOR ESTABLISHMENT OF INTERNATIONAL FINANCIAL INSTITUTIONS WITH PRIVATE CAPITAL, BUT MADE NO REFERENCE TO ESTABLISHMENT OF MULTILATERAL GUARANTEE MECHANISMS. BRAZIL CALLED ON LDCS TO IMPLEMENT DOMESTIC MEASURES (E.G. ELIMINATION OF LEGAL OR ADMINISTRATIVE IMPEDIMENTS TO ACCESS AND TAX INCENTIVES) TO STIMULATE DIRECT INVESTMENT FLOWS TO LDCS.

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C O N F I D E N T I A L SECTION 05 OF 08 OECD PARIS 05027

RAW MATERIALS COMMISSION

15. FEB. 17 AND 18 MEETINGS OF CORM HEARD FURTHER
STATEMENTS ON FIRST ITEM OF WORK PROGRAM BY NUMBER OF
LDC'S PLUS US, AUSTRALIA, AND JAPAN. FEB. 18 SESSION
ENDED WITH GROUP LEFT TO CONSIDER OVERNIGHT HOW TO
STRUCTURE DISCUSSION OF ITEM 2 (PROBLEMS OF COMMODITIES
MARKETS AND TRADE EXPANSION. WAYS AND MEANS OF SOLVING
THEM). THREE PAPERS ARE BEFORE COMMISSION RELATING TO
THIS SUBJECT: 1) PAPER CROSS-REFERENCING G-19 LIST TO
7 ITEMS ON CORM WORK PROGRAM (UNDER ITEM 2 G-19 WISHES
TO TAKE UP ITEMS 2.2, 2.3, 2.4, 2.8, 2.10 OF ITS OWN
LIST); 2) G-19 POSITION PAPER PROVIDING TYPICAL G-77
LIST OF PROBLEMS, OBJECTIVES, AND MEASURES FOR COMMODITY
POLICY; AND 3) LIST OF TOPICS WHICH US DEL WISHES TO
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ADDRESS UNDER ITEM 2. PROBLEM MAY BE ENCOUNTERED IN AVOIDING COMMODITY-BY-COMMODITY APPROACH TO THIS ITEM WHICH EC SEEMS TO THINK IS ONLY BASIS ON WHICH IT CAN GET A POSITION TOGETHER.

16. LDC PARTICIPATION IN FEB. 17 DISCUSSION OF TRENDS AND CONDITIONS OF RAW MATERIAL SUPPLY/DEMAND WAS SURPRISINGLY BROAD. ZAIRE NOTED DIFFERENCES BETWEEN DC AND LDC PERCEPTIONS OF UNDERLYING ISSUES AND CONCLUDED THE TWO SIDES WOULD NEED TO COME CLOSER TOGETHER IN THEIR WAYS OF ASSESSING THEM. CAMEROON NOTED ITS HIGH DEPENDENCE ON COMMODITY EXPORTS AND PROBLEMS ARISING FROM INSTABILITY OF EARNINGS AND DECLINE IN TERMS OF TRADE. CAMEROON ALSO CITED PROBLEMS OF DC GOVERNMENT INTERVENTION TO SUBSIDIZE DOMESTIC AGRICULTURE. ARGENTINA EMPHASIZED MARKET ACCESS FOR ITS AGRICULTURAL EXPORTS, AND, IN OBVIOUS REFERENCE TO EC, CRITICIZED AGRICULTURAL SUBSIDIES IN INDUSTRIALIZED COUNTRIES. YUGOSLAVIA GAVE PLUG FOR NIEO AND COMPLAINED OF DC FAILURE TO FULFILL PROMISES TO LDC'S IN TOKYO DECLARATION AND SECOND DEVELOPMENT DECADE. YUGOSLAVIAN DEL ALSO CITED RESTRICTIONS ON MEAT AND LOW TRADE COVERAGE OF GSP PROGRAMS. INDONESIAN DEL MADE IMPRESSIVE STATEMENT GIVING EXAMPLES OF PROBLEMS HIS COUNTRY FACED SUCH AS SLOW EXPORT GROWTH AND EARNINGS INSTABILITY, WEAK MARKETS, AND INSUFFICIENT LOCAL PROCESSING. HE NOTED THAT DOMESTIC PROBLEMS WERE KEY FACTORS IN SOME CASES AND SUGGESTED MODERATE SOLUTIONS.

17. US DEL (WENDT) LISTED A NUMBER OF AREAS WHERE US COULD AGREE WITH CONCERNS OF MANY LDC'S (HIGH DEGREE OF DEPENDENCE ON COMMODITY EXPORTS, EXCESSIVE COMMODITY PRICE FLUCTUATIONS, HIGH LEVEL OF INFLATION, ADEQUACY OF INVESTMENT, MARKET ACCESS AND TARIFF ESCALATION). US DEL WENT ON, HOWEVER, TO INDICATE OPPOSITION TO ASSUMPTION THAT ACROSS THE BOARD GOVERNMENT INTERVENTION WAS ANSWER TO ALL PROBLEMS--ILLUSTRATING HOW SOME PROPOSED SOLUTIONS COULD BE WORSE THAN THE ILLS THEY SOUGHT TO CURE. US DEL ALSO EXPRESSED STRONG RESERVATIONS ABOUT UTILITY OF TERMS OF TRADE ARGUMENTS. JAPANESE DEL MADE LENGTHY STATEMENT SYSTEMATICALLY

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DISCUSSING SPECIFIC ELEMENTS WHICH NEEDED TO BE CONSIDERED IN ANALYZING AND DRAWING CONCLUSIONS ABOUT DEMAND, SUPPLY AND PRICE CONDITIONS OF COMMODITY TRADE. HE ALSO REFERRED TO SUCH PROBLEMS AS SUBSTITUTION EFFECTS OF HIGH COMMODITY PRICES, INVESTMENT

CLIMATE' AND ROLE OF PRICE IN DETERMINING SUPPLY AND

DEMAND.

18. AT END OF FEB. 17 DISCUSSION LDC CO-CHAIRMAN DE LA PUENTE DREW ATTENTION OF COMMISSION TO LINK WHICH HAD BEEN ESTABLISHED BETWEEN G-77 AND G-19 AND INTENTION OF LDC'S TO USE CIEC TO REACH AGREEMENT ON CONSTRUCTIVE PROPOSALS FOR UNCTAD IV. HE ALSO RECOGNIZED SENSITIVITIES ABOUT COVERING CERTAIN COMMODITIES IN FORUM LIKE CORM, CITING COFFEE AS AN EXAMPLE, BUT ADDED EVEN ON SUCH PRODUCTS CORM MIGHT WISH TO FORMULATE SOME VIEWS.

L9. IN FEB. 18 WRAP-UP DISCUSSION OF FIRST ITEM ON WORK PROGRAM, US MADE STATEMENT ANALYSING TRENDS IN FOOD PRODUCTION AND DEMAND TO 1985, POINTING OUT PROBLEM OF GROWING LDC FOOD DEFICIT AND ADVERSE EFFECT OF OIL PRICE INCREASES ON FERTILIZER COSTS. US ALSO EMPHASIZED DESIRABILITY OF INTERNATIONAL SYSTEM OF NATIONALLY HELD GRAIN RESERVES TO REDUCE EFFECTS OF

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PRODUCTION SHORTFALLS ON WORLD FOOD SECURITY. AUSTRAL-
IAN DEL MADE STATEMENT WHICH TOOK POKE AT MARKET ACCESS

AND SUBSIDY PROBLEMS FACED BY AGRICULTURAL EXPORTERS IN SOME MARKETS (READ EC).

20. DEBATE BEGUN AT END OF FEB. 18 SESSION TO CONSIDER HOW TO STRUCTURE DISCUSSION UNDER ITEM 2 OF WORK PROGRAM WAS CONFUSED BY HASTILY PRODUCED POSITION PAPER CIRCULATED BY G-19, WHICH PERUVIAN CO-CHAIRMAN STYLED AS LDC APPROACH TO THIS ITEM OF WORK PROGRAM. MEXICAN DEL'S "PRESENTATION" OF PAPER CONSISTED OF READING IT TO GROUP. IN RESPONSE TO REPEATED INQUIRIES BY US AS TO PURPOSE OF PAPER, WHICH COVERS ENTIRE RANGE OF COMMODITY PROBLEMS AND SOLUTIONS AND READS LIKE SET OF AGREED CONCLUSIONS, MEXICO AGREED IT WAS SIMPLY DESCRIPTION OF G-19 CONCEPTION OF ANSWER TO GENERAL CONFIDENTIAL

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QUESTIONS POSED BY ITEM 2 AND CONTAINED ELEMENTS WHICH BELONGED ELSEWHERE IN WORK PROGRAM. EC PRELIMINARY REACTION TO PAPER WAS TO SUGGEST MAIN PROBLEM IN STRUCTURING ITEM 2 DISCUSSION WAS ESTABLISHING SOME ORDER TO TOPICS AND TO HINT THAT COMMODITY-BY-COMMODITY APPROACH WOULD BE BEST WAY TO DO THIS. (IN EARLIER G-8 CAUCUS EC DEL HAD SUGGESTED THAT THIS APPROACH WAS BEST WAY TO DEMONSTRATE INFEASIBILITY OF G-19 PROPOSALS WHEN APPLIED TO SPECIFIC COMMODITIES. HE ALSO INDICATED THIS WAS ONLY WAY EC WAS LIKELY TO BE ABLE TO COME UP WITH AGREED POSITIONS FOR ITEM TWO. US DEL EXPRESSED OPPOSITION TO GETTING COMMISSION INVOLVED IN SPECIFIC COMMODITY DISCUSSIONS AND URGED G-5 TRY TO KEEP FOCUS ON GENERAL ISSUES.)

21. US LIST OF TOPICS FOR DISCUSSION UNDER ITEM 2 IS AS FOLLOWS:

- A. ROLE OF PRICES IN THE MARKET MECHANISM
- B. IMPROVEMENT IN THE FUNCTIONING OF MARKETS, INCLUDING IMPROVED INFORMATION
- C. MARKET ACCESS
- D. ACCESS TO SUPPLIES
- E. INCREASED PROCESSING IN PRIMARY PRODUCING COUNTRIES
- F. MARKET PROMOTION
- G. DIVERSIFICATION

DEVELOPMENT COMMISSION

22. BULK OF DISCUSSION ON TRADE IN THE DEVELOPMENT COMMISSION TOOK PLACE FEBRUARY 17TH AND 18TH, WITH GENERAL STATEMENTS BEING GIVEN FIRST DAY AND DEBATE ON ACCESS ISSUES AND GSP TAKING PLACE FEBRUARY 18TH.

INTERVENTIONS SUCCEEDED EACH OTHER IN BUSINESSLIKE FASHION AND WELLENSTEIN, WHO WAS IN CHAIR FEB 19 WHEN DISCUSSION ENDED, SUCCEEDED IN BRIEFLY SUMMARIZING DEBATE AND NOTING IT SHOULD HAVE ENERGIZING EFFECT ON TRADE DISCUSSIONS TAKING PLACE ELSEWHERE THIS YEAR.

23. COMMON THEMES STRUCK BY MOST G-5 DELS IN GENERAL
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DEBATE WERE THAT LDC EXPORTS SHOULD PICK UP IN SHORT TERM WITH RECOVERY IN OECD AREA AND THAT PROGRESS IN IMPROVING WORLD TRADING SYSTEM WAS TO BE EXPECTED IN MTN. NOTE WAS ALSO MADE OF FACT THAT SPECIAL CONSIDERATION IS BEING GIVEN IN MTN TO NEEDS AND DESIRES OF DEVELOPING COUNTRIES. THIS LATTER POINT WAS THE THEME OF SWEDISH (BELFRAGE) INTERVENTION WHICH LED OFF DISCUSSION ON TRADE. JAPANESE DEL'S (OTAKA) STATEMENT COVERED THE ABOVE POINTS AND EMPHASIZED JAPAN'S DEPENDENCE ON TRADE WITH LDCS. CANADA (WILLIAMS) PATTED ITSELF ON BACK FOR RELATIVELY LIBERAL TREATMENT OF LDC EXPORTS. WILLIAMS SAID CANADA RECOGNIZED THE NECESSITY OF IMPROVING THE WORLD TRADING SYSTEM TO MAKE IT MORE BENEFICIAL TO LDCS AND STATED THAT GOC WAS CONSIDERING MAKING DEEPER TARIFF CUTS ON PRODUCTS OF INTEREST TO LDCS AND IMPROVING ITS GSP. WILLIAMS ALSO MADE PITCH FOR SECTOR APPROACH IN NEGOTIATIONS ON TARIFF ESCALATION AND NTBS. EC (DURIEUX) GAVE SHORT GENERAL STATEMENT SAVING MOST OF ITS COMMENTS FOR MORE SPECIFIC DISCUSSIONS OF MARKET ACCESS AND TRADE PROMOTION.

24. US DEL'S (WINDER) STATEMENT BEGAN WITH AN AFFIRMATION OF THE IMPORTANCE OF TRADE TO THE WORLD ECONOMY AND LDC DEVELOPMENT, AND WENT ON TO AN ANALYSIS OF LDC EXPORT PROSPECTS OVER THE SHORT AND LONG TERM. WINDER NOTED THAT THE RECENT DECLINE IN REAL GROWTH OF LDC EXPORTS WAS NOT CAUSED BY ANY INCREASE IN DC

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PROTECTIONISM BUT RATHER BY THE RECESSION, WHICH WAS
DUE IN LARGE PART TO THE RISE IN PRICE OF OIL. AFTER
NOTING THE TRADE PLEDGE MADE BY OECD MEMBERS AND EMPHA-
SIZING THE NECESSITY OF AN EXPANDING WORLD ECONOMY TO
MEET ASPIRATIONS OF BOTH DEVELOPED AND DEVELOPING
COUNTRIES, WINDER BRIEFLY REVIEWED ECONOMIC SITUATION
IN US AND OECD AREA SHOWING HOW RECOVERY WHICH DCS
WORKING HARD TO ACHIEVE, WOULD SPUR LDC EXPORTS. OVER
THE LONGER RUN, US SEES TWO PRINCIPAL GOALS IN EFFORTS
TO IMPROVE STRUCTURE OF WORLD TRADE TO BENEFIT LDC'S.
ENSURING GREATER SECURITY OF ACCESS TO DC MARKETS (WORK
UNDER WAY IN MTN) AND PROVIDING FOR SPECIAL TREATMENT
FOR LDCS UNABLE BECAUSE OF THEIR STAGE OF DEVELOPMENT
TO TAKE FULL ADVANTAGE OF TRADE OPPORTUNITIES AVAILABLE
TO THEM (THROUGH GSP).

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25. PAKISTAN, INDIA, ALGERIA AND NIGERIA SPOKE DURING
THE GENERAL DEBATE ON TRADE. THE LATTER TWO CONCEN-
TRATED THEIR REMARKS ON A REBUTTAL OF THE US CONTENTION
THAT THE INCREASE IN THE PRICE OF OIL WAS ONE OF MAIN
FACTORS RESPONSIBLE FOR THE RECESSION AND HENCE THE
SLOWDOWN OF NON-OIL LDC EXPORT GROWTH. ALGERIAN REP
BLASTED THIS ASSERTION SAYING THE ROOT OF THE RECESSION
COULD BE FOUND IN HISTORICAL EXPLOITATION BY DCS AND US
DECISION TO SET DOLLAR FREE FROM GOLD IN 1971. NIGER-
IAN'S REBUTTAL WAS Milder, BUT HE MADE POINT OF HIS
SKEPTICISM ON THE POSSIBILITY OF WORTHWHILE RESULTS
FROM MTN AND UNCTAD DISCUSSIONS (NOTING UNCTAD WAS NOT
A QUOTE DYNAMIC ORGANIZATION UNQUOTE). HE AND INDIAN

DEL INDICATED THAT G-19 WANTED COMMISSION TO AFFIRM GOALS FOR TRADE NEGOTIATIONS TO TAKE PLACE IN OTHER FORUMS SINCE GATT MOVING TOO SLOWLY. PAKISTANI DEL OUTLINED TRADE PROBLEMS FACED BY LDCS AS: (A) HIGH TARIFFS AND NTBS, (B) CONCENTRATION OF LDC EXPORTS IN COMMODITIES, (C) TARIFF ESCALATION MEASURES, (D) UNCERTAINTY IN DC MARKETS, AND (E) UNEQUAL LDC BARGAINING POWER. HE CALLED FOR RESTRUCTURING OF WORLD PRODUCTION. INDIAN DEL CALLED FOR DISCUSSION IN RAW MATERIALS COMMISSION ON WAYS TO INCREASE COMMODITY PRICES AND FOR A GENERAL ELIMINATION OF RESTRICTIONS ON ENTRY OF LDC MANUFACTURED AND SEMI MANUFACTURED GOODS.

26. US DEL SUGGESTED GATT AND UNCTAD OBSERVERS SPEAK ON MTN AND GSP RESPECTIVELY. GATT SECRETARIAT REP GAVE A USEFUL BRIEFING ON MTN STRUCTURE AND SPECIAL EFFORTS BEING MADE TO PROVIDE FOR DIFFERENTIATED AND FAVORABLE TREATMENT OF PRODUCTS OF INTEREST TO LDC'S. HE ALSO DESCRIBED GATT SECRETARIAT'S COUNTRY STUDIES PROJECT TO ASSIST LDC'S IN NEGOTIATIONS. UNCTAD REP OUTLINED UNCTAD'S WORK IN REVIEWING GSP'S NOTING THAT SOME COUNTRIES HAD MADE IMPROVEMENTS IN THEIR SCHEMES BUT THAT THERE REMAINED MUCH SCOPE FOR PROGRESS. HE ALSO CLAIMED THAT DISCUSSIONS OF NTB'S IN UNCTAD HAD HELPED LDC'S PREPARE FOR MTN AND GAVE VIEW OF THE UNCTAD SECRETARIAT ON NECESSITY OF INDUSTRIAL RESTRUCTURING AND ATTENTION TO RESTRICTIVE BUSINESS PRACTICES

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OF TNES. OECD AND UNIDO REPS ALSO INTERVENED BRIEFLY.

27. THERE WAS SOMEWHAT MORE GIVE AND TAKE DURING FEBRUARY 18 DISCUSSION OF MARKET ACCESS ISSUES. REMARKS OF G-5 DELS CENTERED ON EXPECTATIONS FOR MTN AND ATTITUDES TOWARD GSP, WHILE DEVELOPING COUNTRY DELS INTERVENED TO STATE COMPLAINTS RE PRESENT TRADING SYSTEM AND OBJECTIVES THEY WOULD LIKE TO OBTAIN IN MODIFYING IT. PAKISTANI COMPLAINED OF DC TARIFF ESCALATION PRACTICES AND LACK OF ACTION ON NON-TARIFF MEASURES IN GATT FRAMEWORK, GIVING THE EXAMPLE OF TEXTILES, ON WHICH HE HAD AN EXTENDED DEBATE WITH EC DEL, PROLONGED BY EC EFFORTS TO DEFEND ITS RECORD. HE CALLED FOR COMPLETELY FREE ACCESS FOR PROCESSED AND MANUFACTURED GOODS AND THE ELIMINATION OF NTB'S. G-5 DELS CITED AREAS IN WHICH PROGRESS COULD BE EXPECTED IN MTN. ARGENTINA CHARGED THAT DCS HAD NOT EXHIBITED REAL POLITICAL WILL TO PROVIDE FOR SPECIAL AND DIFFERENTIATED TREATMENT FOR LDC EXPORTS. EC, JAPAN AND US ARGUED THAT SPECIAL AND DIFFERENTIATED TREATMENT FOR LDCS

SHOULD BE SOUGHT ON CASE-BY-CASE BASIS, AND U.S. CITED
NUMEROUS PROPOSALS ALREADY SPONSORED IN GENEVA INCLUDING
EXAMINATION OF TARIFF ESCALATION PROBLEM. EC DEL NOTED
SECURITY OF ACCESS, TARIFF ESCALATION, EXPORT SUBSIDIES
AND SAFEGUARDS WERE TOPICS FOR DISCUSSION AND NEGOTIA-
TION IN MTN. CANADA FORESAW DEEPER TARIFF CUTS AND
EFFORTS TO ELIMINATE NON-TARIFF MEASURES IN MTN AND

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ASSERTED GOC COULD SUPPORT COMPLETE ELIMINATION OF TARIFFS ON TROPICAL PRODUCTS. CANADA AND JAPAN ALSO MADE POINT THAT SECURITY OF SUPPLY SHOULD BE TAKEN UP IN MTN. US CITED 7TH SPECIAL SESSION RESOLUTION TO REDUCE AND REMOVE NTBS ON PRODUCTS OF INTEREST TO LDCS ON A DIFFERENTIAL AND MORE FAVORABLE BASIS, REITERATED PROVISIONS IN TOKYO DECLARATION OF SPECIAL INTEREST TO LDCS, AND REVIEWED IN DETAIL WORK CURRENTLY UNDER WAY IN MTN NEGOTIATING GROUPS WHICH ENVISAGE SPECIAL TREATMENT FOR LDCS. US DEL ALSO EMPHASIZED US DESIRE TO HAVE LDCS HELP MAKE RULES AND ASSUME THEIR SHARE OF RESPONSIBILITY FOR STRENGTHENED TRADING SYSTEM. SWEDEN SUPPORTED THIS LAST COMMENT AND ALSO ADDED THAT IT LOOKED FORWARD TO CASE BY CASE NEGOTIATIONS ON NTBS IN MTN. JAPAN BRIEFLY COMMENTED ON DESIRA-

BILITY OF STABILIZING COMMODITY MARKETS AND PROVIDING FOR
EXPORT EARNINGS STABILIZATION WITH RESPECT TO SELECTED
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COMMODITIES.

28. EC COMMENTED AT LENGTH ON GSP INDICATING THAT IT
HAD CAUTIOUS ATTITUDE TOWARDS EXTENSION OR IMPROVEMENT
OF ITS SCHEME. EC DEL NOTED THAT EC SAW GSP AS STEP
IN GENERAL TARIFF REDUCTION PROCESS, ALTHOUGH IT WILL
ATTEMPT TO KEEP SCHEME IN EFFECT UNTIL IT ACCOMPLISHES
ITS OBJECTIVES. ANY EXTENSION BEYOND 1980 WILL BE ON
CASE BY CASE BASIS. EC INDICATED WILLINGNESS TO TAKE
IMPACT OF MTN RESULTS INTO ACCOUNT IN ADMINISTRATION
OF GSP, BUT SAW ONLY LIMITED SCOPE FOR ANY EVENTUAL
IMPROVEMENT IN PRODUCT COVERAGE, TARIFF LEVELS OR RULES
OF ORIGIN. SWEDEN, NOTING ITS GSP PROVIDED FOR DUTY
FREE ENTRY AND DID NOT INCLUDE SAFEGUARDS, SAID CONSI-
DERATION WAS BEING GIVEN TO PROLONGING GSP, SIMPLIFYING
ITS RULES OF ORIGIN AND EXTENDING PRODUCT COVERAGE AND
ELIMINATING DUTIES ON MTN BASIS. JAPAN SAID IT WOULD
MAKE EFFORT TO EXTEND ITS GSP BEYOND 1980. US OUTLINED
SCOPE AND POTENTIAL OF NEWLY INITIATED US GSP NOTING IT
WAS TOO EARLY TO CONSIDER BASICALLY AMENDING SCHEME.
FOR G-19 SIDE, INDIA OUTLINED PROBLEMS WITH GSP: I.E.
INSUFFICIENT PRODUCT COVERAGE, LOW CEILINGS, INADEQUATE
TARIFF CUTS, UNCERTAIN LENGTH AND DISCRIMINATORY NTBS
AND RULES OF ORIGIN. HE CALLED FOR INCLUSION OF ALL
LDC AGRICULTURAL PRODUCTS IN SCHEMES AND COMMITMENT TO
PRINCIPLE THAT COMPENSATORY BENEFITS WOULD BE GRANTED
FOR ANY EROSION OF GSP IN MTN.

29. CAMEROONIAN AND ALGERIAN DELS ALSO INTERVENED IN
ACCESS DISCUSSION, THE FORMER TO COMPLAIN ABOUT RESTRIC-
TIVE BUSINESS PRACTICES OF MULTINATIONAL ENTERPRISES
AND THE LATTER TO CALL FOR AFFIRMATION OF LDC QUOTE
RIGHT UNQUOTE TO SUBSIDIZE EXPORTS WITHOUT COMPENSATORY
DC TREATMENT. US NOTED CAMEROON DELEGATE'S REMARKS
WHILE CANADA AND JAPAN RESERVED RIGHT TO RESPOND LATER
TO CAMEROONIAN CHARGES.

30. DISCUSSION ON TRADE PROMOTION PROVIDED G-5 DELS
WITH OPPORTUNITY TO DESCRIBE THEIR VARIOUS PROGRAMS
IN THIS AREA. JAMAICAN AND INDIAN DELS PUT TOPIC IN
WIDER CONTEXT OF DEALING WITH WHOLE GAMUT OF MARKETING,
FINANCIAL AND ORGANIZATIONAL PROBLEMS INHERENT IN
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EXPANDING EXPORTS. G-19 INDICATED IT WOULD RETURN AT LATER MEETING TO PROPOSAL FOR NEW INTERNATIONAL TRADE ORGANIZATION.

31. IN HIS SUMMARY, WELLENSTEIN NOTED THAT THERE SEEMED TO BE AGREEMENT ON ANALYSIS DIVIDING TRADE PROBLEMS INTO SHORT TERM (CONJUNCTUAL) AND LONG TERM (STRUCTURAL). ON MARKET ACCESS HE NOTED AGREEMENT ON IDENTIFICATION OF TWO MAIN PROBLEMS CITED BY US (UNCERTAINTY AND SCOPE OF ACCESS). HE CITED (A) G-5 COMMITMENT TO ACTION ON TROPICAL PRODUCTS, POSSIBLY FOR IMPLEMENTATION BEFORE CLOSE OF MTN; (B) G-5 AGREEMENT TO APPLY SPECIAL AND DIFFERENTIATED TREATMENT FOR LDCS WHEREVER FEASIBLE; (C) G-5 INTENTION TO TAKE UP TARIFF ESCALATION MEASURES AND NON-TARIFF MEASURES IN MTN, AND (D) MENTION OF PROBLEM OF ACCESS TO SUPPLY. HE ALSO NOTED IMPORTANCE ATTACHED BY ALL TO JOINT EFFORTS IN TRADE PROMOTION, IN WIDEST SENSE, AND CONCLUDED THAT DISCUSSION WOULD UNDOUBTEDLY HAVE QUOTE ENERGIZING UNQUOTE EFFECT ON TRADE DISCUSSIONS THIS YEAR.

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